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EVALUATION OF THE OBJECTIVES AND FUNCTIONS OF UNIDO IN VIEW OF RECENT CHANGES AND DEVELOPMENTS IN THE WORLD

Regulatory framework for the implementation of Article 16 of the Constitution

Note by the Director-General

Summary

Brings to the attention of the Board information on the regulatory framework currently existing for the implementation of Article 16 of the Constitution concerning voluntary contributions.

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Introduction

1. At its sixth session, the Industrial Development Board adopted decision IDB.6/Dec.23 which deals with various policy aspects concerning the evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world. Under paragraph (i) of the decision, the Board "requested the Director-General to ensure that the voluntary contributions he accepts on behalf of UNIDO are consistent with the objectives and policies of the Organization and to prepare an updated and consolidated framework of regulations for the implementation of Article 16 of the Constitution for submission to the Board at its eighth session, as also requested in decision IDB.6/Dec.10 on special trust funds".

2. In paragraph (e) of the latter decision, entitled "Programmes and activities financed by special trust funds" also adopted at its sixth session, the Board "requested the Director-General to submit for approval, through the Board at its eighth session, to the General Conference at its fourth session updated and consolidated guidelines on the modalities for the appraisal, management and operation of special trust fund projects, giving due attention to the objectives and priorities identified in the Constitution of UNIDO and the medium-term plan, 1990-1995 (GC.3/17), and the application of the financial regulations, as also requested in IDB.6/Dec.23 on evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world".

3. The present report, prepared pursuant to the above-mentioned requests, brings to the attention of the Board the regulatory framework established for the implementation of Article 16 of the Constitution concerning voluntary contributions to the Organization.

I. THE CONSTITUTION

4. According to Article 16 of the Constitution, the Director-General is authorized to accept voluntary contributions to the Organization. Such contributions may be from governmental, intergovernmental or non-governmental donors and may include gifts, bequests and subventions. The conditions attached to such voluntary contributions must, however, be consistent with

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the objectives and policies of the Organization, and acceptance is subject to the financial regulations.

5. Also Article 17 of the Constitution concerning the Industrial Development Fund (IDF) sets out rules that form part of the regulatory framework for the administration of those voluntary contributions to the Organization referred to in Article 16 that are destined to finance IDF. The Fund is administered by the Director-General in accordance with the Financial Regulations of UNIDO and such general policy guidelines governing the operations of IDF as are established by the General Conference or the Industrial Development Board.

II. FINANCIAL REGULATIONS

6. The Financial Regulations of UNIDO, which were adopted by the General Conference at its second session (GC.2/Dec.25 of 12 November 1987) and are derived from the previously applicable United Nations Financial Regulations, contain in Article VI provisions regulating voluntary contributions, including specific regulations on contributions to the Industrial Development Fund and on contributions to such trust, reserve and special accounts as may be established by the Director-General.

III. FINANCIAL RULES

7. Financial regulation 12.1 requires the Director-General to issue financial rules "which shall govern the administration of all financial activities and transactions of the Organization". The Director-General shall report on the issuance of financial rules to the Industrial Development Board, through the Programme and Budget Committee.

8. The presently applicable financial rules are set out in the Director-General's Bulletin No. 74/Rev.1 of 15 June 1990. Article VI of the financial rules contains detailed provisions on the administration of voluntary contributions. In addition, other parts of the financial rules are also applicable to voluntary contributions, such as rules 109.16 - 109.24 on contracts and purchases, rule 109.39 on internal audit and Article X on the accounts.

IV. DIRECTOR-GENERAL'S BULLETINS

9. In his capacity as chief administrative officer of the Organization, the Director-General, when necessary, issues administrative guidelines and establishes procedures to be followed by the staff of the Secretariat. In the area of voluntary contributions to the Organization, the Director-General has recognized the need for staff members to be assisted by such guidelines and procedures, especially when implementing projects not financed by the United Nations Development Programme (UNDP) - there has been already for some time an adequate regulatory framework for UNDP-financed projects, promulgated by UNDP for implementation by the executing agencies of UNDP.

10. As early as 28 February 1986 the Director-General issued bulletin UNIDO/DG/B.18, containing guidelines on the preparation, processing, monitoring and negotiation of trust fund projects not funded from the Industrial Development Fund. This bulletin contained, inter alia, a model Trust Fund Agreement, to be concluded with donors, and a model set of Basic Terms and Conditions, to be accepted by those Governments with which UNIDO had not yet concluded the Standard Basic Cooperation Agreement authorized by the General Conference at its first session (GC.1/Dec.40). With the growth experienced in the special trust fund programme, as well as in the activities funded by the Industrial Development Fund, the Director-General has decided to revise his bulletin UNIDO/DG/B.18 to provide a more detailed set of guidelines and procedures, and to take into account the experience gained by the Secretariat since UNIDO was established as a specialized agency. The revised bulletin will be comprehensive, since, in addition to special trust funds, it will also cover projects funded by the Industrial Devopment Fund and the regular budget. It is expected that the revised bulletin will be issued in the near future.